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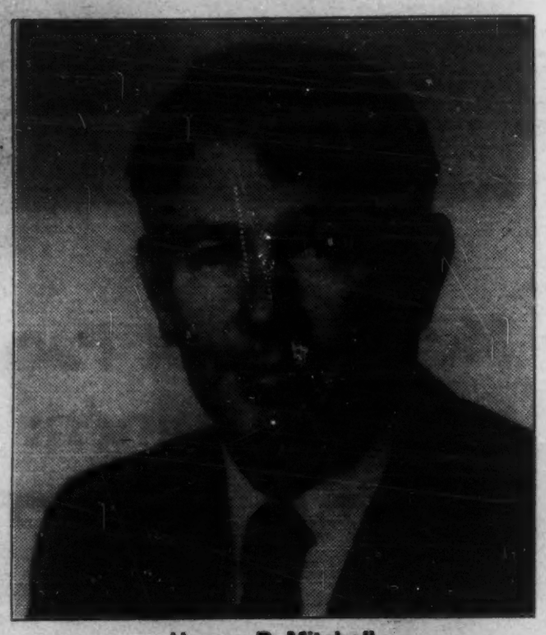


Harvey R. Mitchell
Chairman and CEO, Bank One, Texas

Texas Banker Named Chairman Of Banc One Unit

By STEVE KLINKERMAN

DALLAS — Banc One Corp. named veteran Texas banker Harvey R. Mitchell chairman and chief executive of its Texas subsidiary on Tuesday, saying that local talent and connections were needed to rebuild the troubled unit.

"It's important that this be a Texas bank run by Texans," said John B. McCoy, chairman and chief executive of Banc One, Columbus, Ohio. The company is working to complete its takeover of the former MCorp franchise in a deal involving $2 billion of federal assistance.

Mr. Mitchell, 54, was named to the top post of Dallas-based Bank One, Texas, a position previously held by Mr. McCoy. Mr. Mitchell is a former vice chairman and chief executive at InterFirst Corp. and First RepublicBank Corp. He left First Republic before its failure and subsequent sale to NCNB Corp., Charlotte, N.C.

With roughly $13 billion of assets,

See VETERAN: Page 31 ▸

Corporate Finance Fees Rekindle Banks' Interest in Latin America

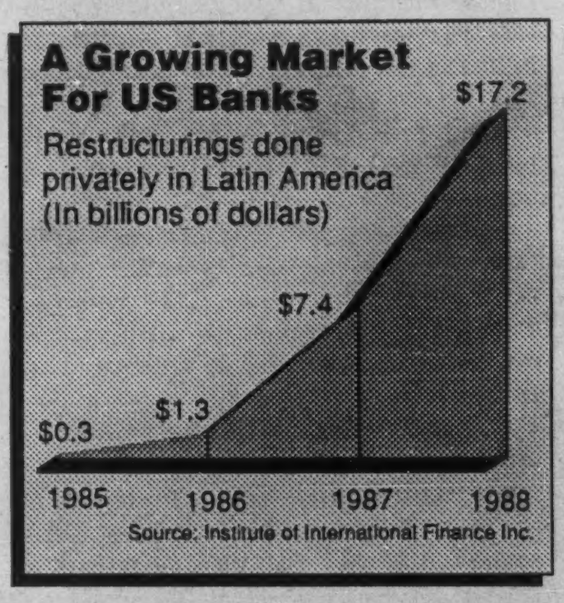
By JAMES R. KRAUS

NEW YORK — While most large U.S. banks have sharply reduced lending to Latin America, many of them are expanding corporate finance activities in this region.

The banks include J.P. Morgan & Co., Citicorp, Chase Manhattan Corp., and Bankers Trust New York Corp. They see rising income from helping Latin American companies structure and execute debt buybacks, debt-for-equity swaps, privatizations, and even new financings.

"Outside the United States, Latin America will be one of the richest areas for corporate finance over the next three to four years," said Arjun K. Mathrani, senior vice president and Western Hemisphere-area executive at Chase.

Bankers believe financial deregulation in several Latin American countries may open further corporate finance opportunities for U.S. banks. They also believe that their large debt



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Plus to Cut Key Processing Fee by 50%

By YVETTE D. KANTROW

NEW YORK — Responding to unexpectedly rapid growth in transaction volume, the Plus automated teller machine system is slashing a key processing fee in half.

The fee reduction by Denver-based Plus System Inc., which takes effect in January, was made possible by increasing transaction volume and the resulting drop in processing costs, said president D. Dale Browning.

For Plus and for an increasing number of other ATM networks, success means being able to lower the prices charged to member financial institutions.

"Consumers finally understand that they can get money outside of their community," Mr. Browning said. "That took a really long time."

The price cut by Plus, a 50% drop in its 10-cent basic transaction fee, is expected to be matched by the competing Cirrus network. It follows similar moves by the regional ATM systems that achieved sizable transaction volumes earlier than Plus and Cirrus.

Regional groups including the New York Cash Exchange, Star System Inc., and Yankee24 have passed on the benefits of new-found economies of scale by cutting fees to member financial institutions.

The move by Plus, which is affiliated with the Visa credit card association, demonstrates that the regionals' success is spilling over to the national ATM networks.

"In the six years since the inception

See PLUS: Page 30 ▸

Clarke Warns About Quality Of LBO Loans

Lending by Some Banks To Be Reviewed Quarterly

By BARBARA A. REHM and DAVID NEUSTADT

Comptroller of the Currency Robert L. Clarke on Tuesday warned that the quality of loans financing highly leveraged transactions is deteriorating and pledged tighter supervision of such lending to avert a potential crisis.

Mr. Clarke said his agency will begin quarterly reviews of lending by specified institutions. Targeted will be national banks that have at least 2% of their assets tied up in loans for highly leveraged deals.

Of 29 national banks that will be subject to these new reviews, 18 are regional banks, said Karen Wilson, the agency's acting deputy comptroller for multinational banking. The focus on regionals reflects their increasing appetite for loans backing leveraged transactions.

Mr. Clarke said regional banks are bulking up on such loans. Ms. Wilson said the regionals' bite of that market increased 21% in the first six months of the year, to $23 billion.

A loan is classified as "highly leveraged" if it finances a leveraged buyout, acquisition, or recapitalization of a business. It also falls under that classification if 75% of the borrowing company's capital is debt, if the transaction doubles the company's liabilities and results in more than 50% of capital being debt, or if the agent bank designates the loan as such.

Mr. Clarke now moves to the forefront of regulators pressuring institutions to reassess their loan risks.

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Today

SEC Chairman Richard C. Breeden said federally insured depositories should be banned from selling their own debt in their branches. ____ 2

Mexico has received enough commitments for new money to complete its debt restructuring plan, said Citibank executive William R. Rhodes. ____ 2

Congress and the administration agreed to postpone a showdown over Resolution Trust Corp. funding. ____ 2

Bankers should not bother to invest in technology unless it can bring specific improvements in earnings, said consultant Frederick A. White. ____ 3

Chase Manhattan Bank said it has combined two business units to improve its electronic data interchange services. 3

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COMMENT

Market Share Data Gain in Importance

By ROBERT P. CADY
Partner, Exchange Resources Ltd.

A GREAT deal has been written recently about the most brutal of market indicators, market share. Slick accounting can jostle some numbers on the annual report to effect a momentary stockholder reprieve. Deft maneuvering with this acquisition or that merger or a division divestiture (who needs that credit card portfolio anyway?) can cast a favorable light on results.

But sooner or later, every organization must face up to its market position relative to competitors. Today, executives are also expected to do something about it, explaining why market share is in a tailspin, or worse, why everything is going so well. As a result, savvy managers see a new role for market share data in managing people and profits.

The pursuit of market share is critical to success, and its timely measurement may well be the most important overall indicator of market management in a competitive environment.

Exchange Resources Ltd., Atlanta, develops marketing technology for the financial services industry.

The key words are "market management," because market share analysis as a report card is next to useless today. By the time the marks are in, there is no way to applaud success or to correct a slide that has become an avalanche.

All of us continue to see and read articles on market share in the journals. The meat of these articles invariably is a discussion of ways to improve market

> Savvy managers see a new role for market share data in managing people and profits.

share. We read about a small bank that stayed open late, a new credit card promotion, and better ways to train branch personnel. We read about sales technique, about being department stores or about "re-imaging" the branch, the people in it, and the organization behind it. What we don't read very often are ways to measure these vital numbers.

In general, market share is measured by survey data, public data, exchange data, or a combination of the three. Each has its advantages. By far, the most widespread method is public data. Survey data are more apt to be used for more specific research inquiries, such as the introduction of a new product. Of the three forms of measurement, the sleeping giant is the data exchange.

What are some of the advantages and disadvantages of these forms of market share measurement? The advantage of public information – that is, government-collected data on banks, bank branches, certain products, and the like – is that it is accurate and complete. Banks are required to provide it, and penalties for misfiling inhibit frivolous reporting.

The exhaustive government error procedure and the sheer volume generated by the various Federal Reserve and Federal Deposit Insurance Corp. requirements, however, place the data on the bank's doorstep a year to 18 months after it's been reported.

Also, government data are summarized, offering no individual product data. So if a bank is trying to use public data to manage market penetration or to shore up weak spots in the product mix, it's like asking Coca-Cola to make decisions about Classic Coke's progress against the competition from a year-old report labeled "soft drinks."

See COMMENT: Next Page ▸

Grapevine

By JED HOROWITZ

Inside Track at Hanover. Manufacturers Hanover Corp. will name a boss for its new "global wholesale bank" any day now, bank sources say. Leading candidates are investment banking head Douglas Ebert and corporate lending head Donald H. McRee Jr. Mr. McRee has the inside track, sources say, though they fret that an outsider could be brought in.

The new unit will combine the bank's corporate lending, investment banking, and international sectors, a spokesman said.

Other expected changes: Donald G. McCouch, head of international, will focus on the Third World debt portfolio while overseas lending goes to the new wholesale boss. The global correspondent banking division is being folded and spread among several other units – including Manufacturer's recently formed Geoserve processing unit.

A "regional bank" will be glued together from Manufacturer's existing retail, small-business, and middle-market banking businesses in New York, New Jersey, and Connecticut.

Details of the reorganization may come after the bank's board meets Nov. 21. The spokesman would not comment on timing.

* * *

Hold the Invitations. C. Paul Johnson, chairman of Chicago's $1.1 billion-asset First Colonial Bankshares Corp., has signaled potential wedding plans with Banc One Corp. His company's community banking strategy might mesh nicely with Banc One or others, Mr. Johnson told analysts recently.

He paused. "I'd better stop there about Banc One." The Illinois barriers against nationwide interstate bank ownership fall in December 1990, and the aggressive Ohio bank has clearly taken notice.

A Banc One spokesman confirmed that earlier this year the bank company sent out "ice breakers" to some 100 banks and holding companies seeking to chat about possible mergers.

Editor's Note:

News takes many forms. There's the official announcement route. And then there's the planned leak, as journalists in Washington know well. Indeed, news is always at some stage of development. Starting today, this weekly column will aim to report stories in their early stages. It will follow people on the move, projects in the works, and other information that prompts bankers to pick up the phone and share what they have heard with their confidants.

* * *

The Eagle Has Landed. Citicorp's new chief legal eagle, John Roche, replaced Hans Angermueller only this month but is already leaving his mark. The refugee from Shearman & Sterling – Citi's favorite outside law firm – is hiring a SWAT team of eager young lawyers to help run the department. Some Citicorp lawyers, spread among its various fiefdoms, fear for their autonomy. But a source close to Mr. Roche says fears of a rigorous centralization are groundless.

* * *

Au Revoir, Bourgeoisie. France's Societe Generale is bidding *adieu* to small-time retail customers in the United States. A banker at the Rockefeller Center branch confirms Sogen is telling "greengrocer type" customers with accounts of less than $100,000 to move elsewhere. Alas. The branch was something of a financial cafe for expatriate Frenchmen, who frequented its lobby talking of bourses and baguettes.

* * *

Trimming the Fat in Toledo. Society Corp. may trim up to 500 employees from Trustcorp's payroll of 3,800 if shareholders approve the merger between the two institutions today. The cost-cutting method of choice will be across-the-board layoffs, though attrition and branch sales also will be used, according to sources at Toledo-based Trustcorp Inc. All but two of 150 workers in a back-office unit in Toledo already have been told they will be let go, one source said. "There will be consolidation of certain areas, but it's premature for us to announce anything," responds a spokesman at Cleveland-based Society Corp.

* * *

It's Lonely at the Top. Kenneth Thygerson is on the move again. After only six weeks at the helm of Denver's Western Capital Investment Corp., he resigned for what thrift officials call "personal reasons." Sources said their erstwhile chief was weary of the long commute to and from his family in San Diego. But skeptics note that the resignation followed publication of a damning front-page article in *Barron's* accusing Mr. Thygerson of "The Trashing of an $11 Billion Thrift." The story chronicled his days as head of San Diego's Imperial Corporation of America. Mr. Thygerson could not be reached for comment.

* * *

Morgan Gives Up a Seat. Cost-cutting efforts at J.P. Morgan & Co. got a modest assist when its revamped securities unit decided not to renew its lease of a seat on the New York Stock Exchange this month. "It's an easy way to save $100,000 a year," says an official. The equity brokerage unit continues to own one seat and also execute trades through independent brokers. Morgan earlier this year announced an internal expense control plan that includes cutting as much as 10% of its employee base.

Contributors include Teresa Carson, James Kraus, and Richard Ringer.

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Comptroller Pledges Closer Scrutiny of Leveraged-Buyout Lending

▸ Continued from Page 1

The Comptroller's office "has stated that HLTs [highly leveraged transactions] did not pose undue risk to the safety and soundness of individual banks or to the banking system," Mr. Clarke said in a speech in Atlanta. "But we've seen growth, quality, terms, participants, and resolutions of those transactions change in the last year."

Mr. Clarke also predicted that banks buying big chunks of leveraged buyouts will have a harder time selling them. He suggested that all banks acting as agents set a cap on the amount of such loans they will keep.

"In that one of the so-called comfort factors in this business is the relatively small portion of the transactions that agent banks are willing to hold for their own accounts, this backlog in the distribution pipeline is worrisome," he said.

The Comptroller's office already has conducted targeted highly leveraged transaction exams of the nation's 11 largest national banks. This is the second consecutive year the Comptroller's office has taken a specific look at leveraged lending by the biggest national banks.

As another indication of the new concern regulators are attaching to highly leveraged transaction lending, the annual joint regulatory study of large credits held by both state and national banks – known as the "shared national credit program" – this year specifically targeted highly leveraged transactions. The study found that a fourth of all loans greater than $20 million and shared by two or more banks are highly leveraged transaction loans. About 900 highly leveraged transaction loans worth $173 billion were discovered by regulators.

In general, Ms. Wilson said, underwriting standards being used are sound, but she noted that regulators warned some banks to tighten highly leveraged transaction lending habits.

According to Mr. Clarke, who addressed the commercial lending trade group Robert Morris Associates, most regional banks acquire highly leveraged debt through participations or a loan syndication group. "And a regional bank's ability to influence or impact ongoing credit decisions in some cases is severely limited."

Mr. Clarke urged regional banks jumping on the leveraged-buyout bandwagon to adopt proper risk-management strategies and to limit their overall involvement in the LBO market.

To date, banks appear to have been duly compensated for the risk LBO loans pose, but that may not be true in the future, Mr. Clarke said, warning that competition in this high-fee activity is squeezing margins.

"This type of competition almost always leads to abuses," Mr. Clarke said. "Credit terms and structures are deteriorating."

At the same time that regulators are expressing concern about bank's exposure to buyouts, they also broadened what they consider highly leveraged transactions. In October, the Fed, the Comptroller's office, and the Federal Deposit Insurance Corp. agreed on a common, expanded definition for highly leveraged deals to the current description.

Criteria Too Broad, Some Say

Some bankers have complained that the new criteria are too broad and will now include too many loans to be useful.

A new study by George Salem, bank analyst at Prudential Bache Securities Inc., adds another aspect to bank's highly leveraged transaction exposure. Mr. Salem added bank's holdings of subordinated debt and equity of highly leveraged companies.

The additional category only adds substantial amounts of exposure for three bank companies: Citicorp, with $1.1 billion, and Bankers Trust New York Corp. and First Chicago Corp., each with $500 million.

Both Citicorp and First Chicago have very active venture capital subsidiaries, which invest in buyouts.

Also, for the first time, Mr. Salem breaks out the portion of banks' highly leveraged transaction portfolios that is for leveraged-buyout loans as opposed to other types of transactions, such as recapitalizations and acquisitions.

BankAmerica Corp. has the highest portion of its highly leveraged transaction loans to LBOs, 91.7%. Citicorp is second with 82.8%. Bankers Trust and Manufacturers Hanover Corp., two leading buyout lenders, both have about two-thirds of their loans to LBOs. First Chicago has the lowest proportion to LBOs, only 47.1%. ■

Exposure to Highly Leveraged Deals

Loans outstanding in billions of dollars

	Total highly leveraged transactions	LBOs	Subordinated debt and equity	HTLs as % of total loans	HTLs as % of common equity
Citicorp	$6.4	$5.3	$1.1	4.3%	72.2%
Bank of New York	3.9	2.5	0.0	11.0	146.3
Bankers Trust	3.7	2.5	0.5	17.0	103.5
Manufacturers Hanover	3.7	2.3	0.0	7.7	124.6
Wells Fargo	3.2	2.2	0.2	8.1	137.0
Chase Manhattan	3.0	2.1	0.2	4.1	69.1
Chemical	2.7	NA	NA	6.0	85.0
Security Pacific	2.7	1.8	0.1	4.5	70.9
J.P. Morgan	2.5	2.0	0.2	8.2	42.9
First Chicago	1.7	0.8	0.5	5.8	78.5
First Union	1.2	--	--	6.0	61.1
PNC Financial	1.2	--	--	4.6	42.7
BankAmerica	1.2	1.1	0.1	3.4	28.9
Bank of New England	0.9	--	--	3.4	52.9
CoreStates	0.6	--	--	5.2	50.7
Citizens and Southern	0.2	--	--	1.4	15.2
Barnett Banks	0.1	--	--	0.4	6.3

Highly leveraged transactions include loans to LBOs, loans to non-LBO highly leveraged transactions, and subordinated debt and equity of highly leveraged transactions.

Source: George Salem, Prudential-Bache Securities

Valley Federal S&L Loses $70 Million in 3d Quarter

VAN NUYS, Calif. — Valley Federal Savings and Loan Association announced that it lost $70.6 million in the third quarter.

The loss resulted in part from a $89.9 million pretax charge to earnings at the Van Nuys thrift. The charge includes a $62 million writeoff of capitalized servicing at the thrift's mobile home financing subsidiary, All Valley Acceptance Co.; the addition of $18 million to real estate loan reserves; and the elimination of the association's $9.9 million of goodwill. ■

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Dollar Dry Dock Offers Gold Card with 11.9% Rate

By YVETTE D. KANTROW

NEW YORK — Less than two months after it sold off a $95 million portfolio of gold card loans, Dollar Dry Dock Bank has introduced a gold card with an initial interest rate of 11.9%.

The White Plains, N.Y.-based bank is touting its new Visa gold card as one of the lowest-priced cards in the country. After six months, the interest rate will jump to 15.9%.

"While no one is offering a card at 11.9%, even 15.9% looks very attractive," said Nicholas Rizetta, a Dollar Dry Dock senior vice president. Cardholders are also charged a $40 annual fee.

Dollar Dry Dock is marketing the card only to consumers in the New York metropolitan area. The $5 billion-asset bank's strategy is to strengthen its business in its primary retail market.

"Cross-selling is what it is about today in the banking business, so we are concentrating on people who are close to our financial centers," Mr. Rizetta said. The bank calls its branches financial centers, which offer investment, travel, and other services in addition to banking.

In September, Dollar Dry Dock sold the gold card accounts of customers outside the New York metropolitan area to Monogram Bank USA, a unit of General Electric Capital Corp., for an undisclosed sum. At yearend 1988, the bank reported $257 million in credit card receivables.

Dollar Dry Dock has chosen to concentrate on the upscale credit card market. Last year, the bank sold about 100,000 regular MasterCard and Visa accounts to Lomas Bank USA, a Delaware credit card bank that was recently renamed First USA. Gold cards are targeted to affluent customers and carry higher credit limits than regular cards.

According to Mr. Rizetta, Dollar Dry Dock is initially offering its new Visa gold card to 900,000 consumers with excellent credit ratings. The bank is expecting a 2% to 3% response rate. ■

For Bankers Who Mean Business

Corporate Finance

Every Tuesday in American Banker

Bank Call Notice

CONSOLIDATED REPORT OF CONDITION OF

THE MERCHANTS BANK OF NEW YORK

of New York, New York

And Foreign and Domestic Subsidiaries, a member of the Federal Reserve System, at the close of business September 30, 1989, published in accordance with a call made by the Federal Reserve Bank of this district pursuant to the provisions of the Federal Reserve Act.

ASSETS		Dollar Amounts in Thousands
1. Cash and balances due from depository institutions:		
a. Noninterest-bearing balances and currency and coin		$ 46,807
b. Interest-bearing balances		24,035
2. Securities		249,144
4. Loans and lease financing receivables:		
a. Loans and leases, net of unearned income	302,534	
b. Less: Allowance for loan and lease losses	2,945	
d. Loans and leases, net of unearned income, allowance, and reserve		299,589
6. Premises and fixed assets		5,496
9. Customers' liability to this bank on acceptances outstanding		10,869
11. Other assets		10,352
12. TOTAL ASSETS		$646,292
LIABILITIES		
13. Deposits:		
a.In domestic offices		$555,388
(1) Noninterest-bearing	162,927	
(2) Interest-bearing	392,461	
Federal funds purchased		10,000
16. Other borrowed money		258
18. Bank's liability on acceptances executed and outstanding		10,869
20. Other liabilities		6,415
21. TOTAL LIABILITIES		$582,930
EQUITY CAPITAL		
24. Common stock		$ 3,446
25. Surplus		19,794
26. Undivided profits and capital reserves		40,122
28. TOTAL EQUITY CAPITAL		$ 63,362
29. TOTAL LIABILITIES, LIMITED-LIFE PREFERRED STOCK, AND EQUITY CAPITAL		$646,292

I, Richard A. Urbano, Vice President & Comptroller, of the above-named bank do hereby declare that this report of condition has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true to the best of my knowledge and belief.

RICHARD A. URBANO

We, the undersigned directors, attest the correctness of this Report of Condition and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the Board of Governors of the Federal Reserve System and is true and correct.

SPENCER B. WITTY
RUDOLF H. HERTZ
BERNICE AHRENS
Directors

NOTE

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